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IN THE MATTER OF The Public Inquiries Act
being Chapter 258 of the Revised Statutes
of Alberta, 1955; and

IN THE MATTER OF an Inquiry into the ad-
ministration, management and financial
affairs of the Lethbridge Central Feeder's
Association Limited, and the general
operation in respect to the participation
of the members therein.

P R O C E E D I N G S

at a Hearing held before

HIS HONOUR JUDGE L. SHERMAN TURCOTTE

VOLUME XIII

DATE January 15th, 1965

SUBMISSIONS OF COUNSEL

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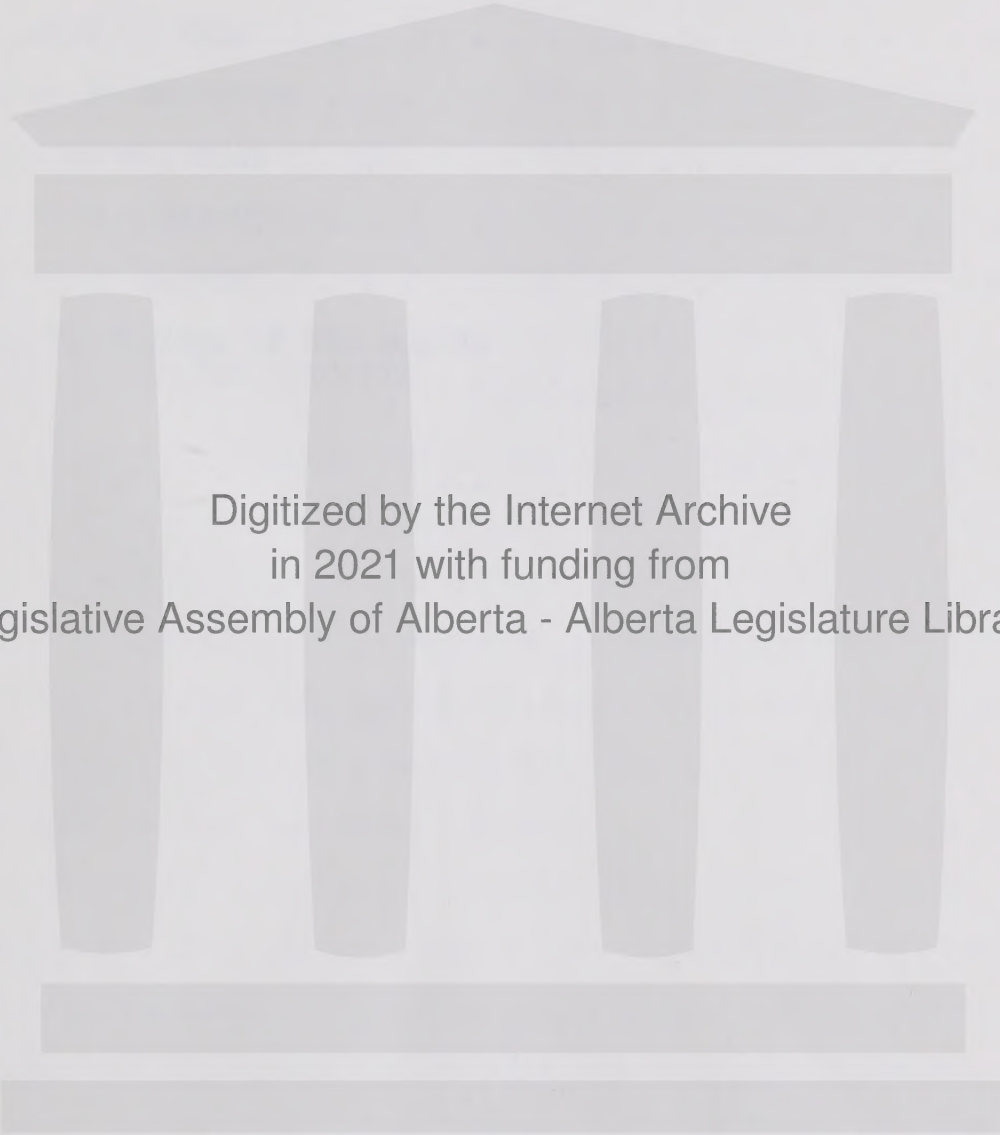
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I N D E X

PERCENTAGES TAKEN JANUARY 1915-1934

SUBMISSIONS OF COUNSEL:

1915-1919 1920-1924 1925-1929 1930-1934

MR. ALEX B. WEIR	1900
MR. M. E. MOSCOVICH	1915
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... to refer-in-council number 1934/44, was issued in ...
... to be in the public interest for you, and to improve the ...
the financial affairs and administration of the ...
Central Feeders' Association and the participation of the ...
members therein and report thereon. There have been approx- ...
imately 10 members presenting evidence since you are ...
in days for the purpose. Basically, an outline of ...
the financial health of the International Feeders' ...
Association that was received in the auditor's report for the ...
year ending 1963, to be in the sum of approximately \$200,000. ...
Secondly, to explain the reasons for this huge deficit.

There is no doubt that ...
that there still remain numerous unanswered questions. This ...
is due primarily to the failure by the ...
of the Association. Mr. Gough, in accepting ...
written invitations for him to remain ...

PROCEEDINGS TAKEN JANUARY 15, 1965:

S U B M I S S I O N O F C O U N S E L

MR. WEIR: At the outset, Your Honour, I would like to state that this submission is entirely my own, based upon my feelings of the relevant evidence presented and that no part of it was prepared in consultation with any member of the Attorney General's Department.

 The Lieutenant Governor in Council, pursuant to Order-in-Council number 1699/64, has deemed it to be in the public interest for you, sir, to inquire into the financial affairs and administration of the Lethbridge Central Feeders Association and the participation of the members therein and report thereon. There have been approximately 60 witnesses presenting evidence before you for 14 days for two purposes. Firstly, to outline details of the financial deficit of the Lethbridge Central Feeders Association that was reported in the auditor's report for the year ending 1963, to be in the sum of approximately \$845,000. Secondly, to explain the reasons for this huge deficit.

 There is no doubting the fact that there still remain numerous unanswered questions. This is due primarily to the failure by the former supervisor of the Association, Mr. Hatch, to accept either of my two written invitations for him to return from Riverside,

California, to testify. I specifically stated that all his travelling expenses, plus the regular witness fee, would be paid to him. Furthermore, I have relayed this information to Mr. Hatch through his counsel, My Learned Friend, Mr. Moscovich. At this time I would like to invite Mr. Moscovich to tell us this morning the reasons, the real reason why Mr. Hatch has refused to attend these Hearings.

We have heard evidence of approximately 17 separate ledger cards in which Mr. Hatch had a personal interest. The auditor's Special Report, dated August 10th, 1964, being Exhibit No. A-9 refers to an admitted indebtedness by Mr. Hatch to the Association in the amount of \$21,436.01. I would like to emphasize the point that as I recall the evidence the majority of the items mentioned on this page were only admitted by Mr. Hatch, when he was supplied with undisputed evidence by the auditors.

In addition to this sum of \$21,436.01, we have also heard undisputed evidence of Mr. Hatch's further personal gain from other sources. I would like to refer you at this time to Exhibit A-16 which refers to a partnership between Mr. Hatch, Mr. Nilsson, and Mr. Kline. Mr. Nilsson and Mr. Hatch, according to this letter, which is dated October the 5th, 1955, received a substantial amount of money, approximately \$2,500.00 each plus approximately \$1,754.00. Yet according to the evidence of Mr. Kline he does not appear to have received the accounting in quite the same

way, although as I recall it was supposed to be a three-way split.

We have also heard evidence of Mr. Hatch's involvement in an account of the Lethbridge Third Ward. Exhibit F-24 refers to one specific cheque in the amount of \$3,000.00. That cheque was made out, as I recall, to the Lethbridge Third Ward project committee, and was endorsed personally by Mr. Hatch, and was deposited in an account which appears to be in his name from this Exhibit F-24. The notation immediately beside the \$3,000.00 item gives the initials D. N., S. H., and immediately underneath "cattle". We have not heard any evidence refuting what this particular entry really means.

There is also an item in the Lethbridge Third Ward account which involves a credit to that account of \$2,400.00. I would like to refer to Exhibit L8b, the journal from August, 1957 to August, 1959, and it refers to an entry of July 31st, 1958, debit Leonard Mehew \$6,400.00. Credit Ray Johansen \$33,000.00. Credit Lethbridge Third Ward \$2,400.00, the item that I mentioned, another debit to--- excuse me, I may have mixed that up. It is debit Leonard Mehew \$6,400.00 and credit Ray Johansen \$33,000.00 and a credit to the Lethbridge Third Ward of \$2,400.00, and a further debit to Johansen and Mehew of \$25,000.00. Now, neither Mr. Mehew nor Mr. Johanson referred to in this exhibit had any knowledge about

this particular \$2,400.00 credit to the Lethbridge Third Ward. The financial Clerk of the Lethbridge Third Ward who appeared yesterday was also unable to find in his thorough examination of all the books of the Lethbridge Third Ward any item referring to this \$2,400.00 credit. Nor was he able to find any mention in his thorough examination of the books of the Lethbridge Third Ward any reference to this cheque I just referred to previously in the amount of \$3,000.00.

In connection with the Lethbridge Third Ward account it is interesting to note that in the Exhibit I referred to, A-9, Mr. Hatch has admitted, although according to the evidence after he was presented with all the facts the final amount of \$3,320.21 that was finally wiped out in that account by a Journal entry. Another Journal entry.

Before proceeding from this particular area, I would like to remind you once again, Your Honour, that a trust account marked in Mr. Hatch's name, Lethbridge Third Ward, was over the years developed in Mr. Hatch's own name. The trust reference was later dropped in that particular account, this other particular account I am referring to.

Now, in addition to this profit I have mentioned in Exhibit A 16 Mr. Hatch was involved with other transactions involving the same individuals, Mr. Nilsson and Mr. Kline, according to the evidence we received from Mr. Nilsson. Mr. Nilsson pointed out that in spite of the

reference in Exhibit A-19, and the testimony of Mr. Williams where Mr. Williams said Mr. Hatch was not going to engage in these activities again, at least suggested that Mr. Hatch, as I recall, was not going to continue to engage in these activities after 1955. It would appear from Mr. Nilsson's testimony that Mr. Hatch continued in this profit arrangement, and in fact we have a number of very interesting amounts that have been debited to several members accounts. Two members accounts in particular. I am referring to Ray Nelson N. A. B. ledger card, part which refers to several interesting items. The Receiver General of Canada \$164.05. Parker Electric \$319.00. Empire Furniture \$300.00. Raymond Agencies, \$76.12. Scandia Iron Works, \$100.00. Dogterom Equipment Ltd \$265.00. On this particular ledger card we find that according to the evidence Parker Electric installed a water softener in Mr. Hatch's residence that was charged to this account in the particular amount I have just referred to. Dogterom Equipment Limited supplied a boat trailer to Mr. Nilsson, and other items such as Raymond Agency, \$76.12. There are still some other unanswered questions in this particular ledger card I have just referred to. We have not received an answer except the fact that Mr. Ray Nelson had no knowledge of what they represented.

In the Jones feed account we have two other entries. There is the Four Corner Body Shop, \$740.00, and Jessie Burroughs \$169.70. The latter represented, according to the evidence, some installations in Mr. Hatch's home,

and the Four Corner Body Shop represented the 1953 DeSoto car that was supplied to, given to Mr. Nilsson. Mr. Jones had no knowledge whatsoever of these two items. And then we have Tollestrup Construction, an item of \$882.42, referred to in the Jones and Kline ledger card. Mr. Jones had no knowledge whatsoever of this particular item and I'm not certain as to whether or not Mr. Kline was asked about that item.

The evidence indicated that Mr. Hatch calculated the profits of the partnership involving Nilsson and Kline, and it was Mr. Hatch who arranged for these charges according to Mr. Nilsson's testimony. In fact Mr. Nilsson was not really too much help to us according to my weight of his evidence. Granted, he admitted about receiving the 1953 DeSoto amounting to the \$740.00 charge, at least under oath he admitted it, but he was not able to recall any other items whatsoever. Even when Your Honour referred to him the fact that, when you reminded him of the fact that he did have a cottage which was near a lake, or near water, he still was not able to recall any other specific amounts that would be debited to members accounts. And then when he was presented with the cheque in question involving the \$265.00 payment to Dogterom Equipment Limited, it was charged to Ray Nelson's N.A.B. account, he admitted at that time that that did amount to the boat trailer payment. When he was reminded of all the other items I have just gone over involving these three ledger cards, he did not have any further knowledge,

except the two items involving himself and the Four Corner Body shop and Dogterom Equipment. When I specifically showed him the cheque dated July 22nd, 1959, payable to Raymond Agencies in the sum of \$76.12 he denied any knowledge of that, and later on being asked as to whether or not he had any insurance on his boat motor and boat trailer he indicated that although that he did have insurance with Raymond Agencies, the premium in 1959 was \$25.00 or \$26.00, and he indicated that he paid this, as I recall, by cash, or his own personal cheque. On the following morning we had the evidence of Mr. Hancock of Raymond Agencies who established emphatically that the \$76.12 cheque to Raymond Agencies by the Association, July 22nd, 1959, was in payment of Mr. Nilsson's premium on his boat, motor, and the boat trailer insurance.

Certainly further investigations in regard to the unanswered items I have just gone over might be of great benefit to Mr. Jones and Mr. Nelson who do not know what these amounts represent.

Another witness, Peter Meloff, testified that Stewart Hatch received 50% of the fees that he received from the Association for cattle spotting. At this point I would like to refer to Exhibit F-20 which refers to the fact that Mr. Meloff received \$4,152.94, which, I understand, was involving these transactions, and Mr. Hatch receive 50% of these items. It is rather interesting to note that in connection with Mr. Meloff's testimony that

Mr. Hatch apparently had the signing authority on Mr. Meloff's own account which Mr. Meloff testified Mr. Match was not hesitant to use. At least Mr. Hatch used it.

Now, there is the matter of M. H. Hyde, and Don Hyde. Both testified to the effect that Mr. Hatch loaned them \$1,000.00 of his own money, plus \$2,450.00, approximately, that may be out a few cents in that figure, of association monies, although Don Hyde, who was the one that repaid these amounts thought that the total of these two sums were advances and loans from Mr. Hatch personally. Now, Mr. Hyde presented his opinion as to how much money he repaid to Mr. Hatch personally, and it is not ascertained positively exactly how much money that he did pay to Mr. Hatch personally, and it is not ascertained positively exactly how much money that he did pay to Mr. Hatch except for the fact that we do have an exhibit, and which I do not have in front of me at the moment, but which is as I recall in Mr. Hatch's handwriting, and which indicates that Mr. Hatch personally received the sum of \$1,630 from Mr. Don Hyde, representing the loans of \$1,000.00 and \$2,450.00, approximately. There has been no accounting by Mr. Hatch on this particular matter.

There are other ledger cards personally involving Mr. Hatch, however I will not go into them all in detail. I would like to make a passing reference to two other ledger cards, one being the Hin Hat Som Ranch and the other the E. W. Hinman ledger cards. It would appear from

the evidence of Mr. Hinman that Mr. Hatch will have to make some further special accounting to him on these two accounts, as well as perhaps a further accounting to the Association.

At least some of the above instances appear to establish that Mr. Stewart Hatch, the former supervisor of the Association, converted to his own use certain monies with intent to deprive its owner of it. It must also not be forgotten about the profit that Mr. Hatch received in his cattle dealings which I have outlined which certainly do not appear ventures that should be engaged in by the supervisor as was pointed out so well by the auditors in Exhibit A-16, the auditors letter to the President of the Association.

I would also like to refer you, sir, to the numerous false entries, which according to the evidence Stewart Hatch supplied to the Association's bank. In fact both banks, both the Royal and Imperial, and later to the amalgamated banks, the Canadian Imperial Bank of Commerce. There is details of this, and specifically I refer you to the evidence of Mr. MacLean who examined the bank records and then I would read, with Mr. Moscovich at my right hand, the figures in the ledger cards to indicate the vast discrepancies.

It is my considered opinion that there would be no need for this inquiry if Stewart Hatch had properly fulfilled his responsibilities as supervisor of the

Association.

There were numerous year-end entries amounting to Income Tax maneuvers. When these monies were deposited with the Association immediately prior to the end of most of the recent years Mr. Hatch, according to the evidence, was able to camouflage the true state of affairs with some of the difficult members accounts. In this connection I would like to refer you to, sir, exhibit A-25, which is a well prepared document by the auditors outlining the amazing series of ins and outs involving Mr. C. W. Heninger. I won't go into details on this particular exhibit, but I would like to remind you, sir, of the many ledger cards that were involved in these exhibits. In fact, even where one member was involved, one specific item that I remember, a cheque somewhere in the amount of \$18,000.00, actually visited three ledger cards in the same members account.

Then we have the amazing artificial transactions of so called credit lending. Ray Johansen stated he was lending his credit for a fee, as I recall, yet he invested no money, he insisted that as far as he was concerned there was no worry about a loss. He was guaranteed by Mr. Hatch that he had nothing to lose. Did he put up his own money? Unfortunately not. He simply had association funds used so that the individual obtaining these monies had to pay not only the regular interest, but this special fee, which as I recall, on one member's ledger card amounted to a fee

that this one member had to pay in addition to interest an amount in excess of \$7,000.00. Certainly this \$7,000.00 and some odd amount of money would be sufficient for many people to look after all their personal affairs for a year. Many families live on far less than that.

In deciding the seriousness of this situation, Your Honour, I would recommend that you use the test here of the reasonable man. Would any reasonable man receiving approximately \$7,000.00 with no investment, with no risk, think that he was justified unless it was a straight gift, and then of course, Your Honour, you would have to decide whether or not a gift under these circumstances would be proper via Mr. Hatch to such a reasonable man.

Nevertheless, in spite of all these entries, if the Board of Directors for the Lethbridge Central Feeders Association had carried out its responsibilities, the responsibilities which they should have recognized as a Board, then these irregularities I have referred to would have been halted long before. That is long before March 17th, 1964. I respectfully submit that any Board in this position should be determining policy and making certain that such a policy was carried out by management, and in particular the supervisor of such an association who was the head of the management wing. However, it appears that the former supervisor, Mr. Stewart Hatch, determined the policy and then carried it out. For example, when the Royal Bank manager, Mr. Campbell, put

checks on Mr. Hatch's freedom, then Mr. Hatch reputedly said --"He two-bitted me to death. He is treating me like a boy." When Mr. Hatch wished to have this account transferred to another bank there was no problem. The Board of Directors said that it was all accomplished before they knew too much about it, and as they did in other instances, they put a rubber stamp on this particular move.

It is up to you, sir, to decide how much more freedom Mr. Hatch enjoyed under the new bank after it was transferred from the Royal to the Imperial. In this connection I think it is most important to consider the testimony of Mr. Bradstock when he admitted receiving, in addition to a few small insignificant gifts, the sum of \$300.00 from Mr. Noel Brandley. This was, according to the evidence, as a result of a move by Mr. Hatch again. Mr. Hatch was certainly looking for a friendly bank manager, and he apparently was not enjoying too much co-operation under Mr. Campbell's regulations, and the regulations of his bank. I cannot help but think, sir, that after receiving this \$300.00 Mr. Bradstock must have felt at least some appreciation to Mr. Hatch, and this is, I respectfully submit, this put Mr. Bradstock in a very difficult position. I feel after receiving this \$300.00 it would be relatively impossible, if not extremely difficult for him to not be friendly with Mr. Hatch, and at least appreciate what he had done for him. And then we have the letter, Exhibit B-3, which is the letter by Mr. Hatch and Mr. Houlton to Mr.

Bradstock, dated April 19th, 1962, and it involves Mr. Noel Brandley and certain alleged indiscretions by Mr. Noel Brandley. Mr. Brandley says that no one showed him the letter or mentioned anything whatsoever to him concerning the content of that letter. I was most impressed by the evidence of Mr. Brandley, and I would draw from his evidence the fact that it would appear to be reasonable after having received \$300.00 from Mr. Brandley that Mr. Bradstock did not mention this matter to him because of that reason, although that is my own assumption, and it may not be the correct assumption.

At this point I would like to congratulate Mr. Campbell for having the courage of his convictions. He had lost this prestige account by refusing to yield to Mr. Hatch's demands for more freedom.

I would also like to congratulate Mr. MacLean, the present manager of the Canadian Imperial Bank of Commerce here in Lethbridge. It was through Mr. MacLean's investigations that the discrepancy in the number of cattle on the Burke ranch was first discovered. Days later the other discrepancies became obvious, and I am referring to the meeting in Mr. MacLean's office on March the 17th, 1964. So that Mr. MacLean, I think, I think that the members of the association owe a debt of gratitude to him.

Now, it could very well be, Your Honour, that the additional audit I have suggested by implication should have been asked, or should have been followed

through by the auditors, and it would have necessarily cost an additional amount of money that the members themselves would never have considered to pay. In fact realizing the amount of money that Mr. Williams received for his work, and for the work that he did do, I suspect this probably would be the case, that even if Mr. Williams strongly urged that many additional audit steps should be taken, that probably the members would never have agreed to pay for it. Nevertheless, I do feel, and this again is just my own personal view, that the audit reports prior to the year 1963 should have contained at least some additional qualifications. I am referring specifically in this connection, as an example, the failure to record in any audit report since 1957, and including 1957, with the exception, of course, of 1963, of the failure of the Association to reconcile the Cattle Trading account, and the significance of this.

At this point I feel that I should mention just in passing the testimony that we have heard from numerous members, and particularly the members whose accounts were so large. I find it shocking that people who owed so much money to the Feeders Association kept little, if any, bookkeeping of their own, and in most cases would never even take the trouble to go into the Association office and look at those ledger cards to decide whether or not the charges should be made. It is all well and good for them to complain now, but I think these particular members are also very much at

fault, and they should feel guilty when they see the other members in, many, many, many other members who faithfully settled their accounts with the Association, and who now have lost their membership and some of their reserves, or perhaps all, I'm not just certain. As I understand it that is still being negotiated.

Cliff Peterson has told us of his efforts to have a showdown with Mr. Hatch. He referred to one specific meeting, and the difficulty that he had in trying to arrange that one particular meeting. Mind you, he did not talk to the Directors at all, nor to the bank, nor to the auditors regarding his suspicion, but really how many of us would have been prepared to take that additional step. I point no blame whatsoever on his failure to take that step. In fact, I would at this time like to praise him for coming back into the employment of the Association in 1964 and to assist the members, and in fact later on this inquiry, in attempting to assist in settling the confusion of interest and confusion we have experienced here in this Courtroom in view of the numerous entries and cross-entries. Certainly this inquiry would have been impossible were it not, Your Honour, for the great effort that you employed, and that you exerted prior to the formal opening of the hearing. The pre-investigational work was absolutely essential.

I hope that the evidence presented, Your Honour, was sufficient for you to report to the Alberta

Government on the extent of this financial crisis of the Lethbridge Central Feeders Association, the extent of which perhaps is not known yet, it is not possible to predict exactly how much the bank will recover. Not only the extent of this financial crisis that was experienced, but also the reasons why it occurred. In conclusion, and in referring to the reasons for this financial crisis, I would like to refer you, sir, to the evidence of Mr. Williams which is contained in Volume I of the proceedings, the transcript proceedings, on page 63. He referred to the fact where Mr. Hculton came to his office at about a quarter to eight in the morning of March the 8th, and how Mr. Houlton was shown the misrepresentations that were obvious in the report given to the bank, and then concerning Mr. Hatch, and this was the way Mr. Williams worded it. "Myself and one of my partners, Mr. Kinnell, went out and confronted Mr. Hatch with this, with this misrepresentation which he had submitted to the bank, and he paused and sat back and said --'Well, the jig is up. I am finished. Now I can get this load off my chest.' "

Thank you Your Honour.

MR. MOSCOVICH:

May it please Your Honour:-

At the very outset and at once I desire to declare on behalf of myself--the deepest appreciation to you--for the unparalleled courtesy during this long and complicated investigation--which courtesy all of us have received in this room from you and to state that this Inquiry which bristles with innuendos

and insinuations was conducted by you with the greatest dignity and decorum---and what otherwise might appear to be a monotonous and difficult proceeding was in fact a relaxing hearing--I do further wish to commend Mr. Alex Weir for his fairness and impartiality and Mr. Leitch and Mr. Hubert Prowse for their co-operation notwithstanding their valient but abortive effort at one stage to get rid of me.

In dealing with the various details disclosed one must bear in mind the Order in Council 1699/64 dated October 9th, 1964---by which this Investigation was conceived.

It provides that you were appointed "to inquire into the administration, management and financial affairs of The Lethbridge Central Feeders Association Limited and the general operation in respect of the participation of the members therein."

I respectfully submit that there exists ample testimony both direct and hearsay, inferential and circumstantial which will enable Your Honour to prepare a Report--and I urgently submit that on this sort of testimony it would be beyond your power and outside the scope of the Reference to conclude any person has committed a crime; and although we are sitting in a Court Room this was not a Trial which is always accompanied by strict legal safeguards.

Assuming for today's purpose that Mr. Hatch was guilty of discrepancies and responsible for

them---bear in mind that for over a period of 12 years or more at a job dealing with 3 million to 5 million dollars of annual business---for a corporation guarded by experienced directors ---and a skilled auditor--these discrepancies--these personal acts--in no way shape or form--contributed to the collapse of this association.

The sums involved were peanuts and did not result in the financial debacle that ensued.

Here was Mr. Hatch, receiving a meagre salary given dictatorial powers, along with some assistants practically permitted to act at times as if the Business was a personal one, and now alleged to have benefited by some sum of money.

With one unsatisfactory exception no member who received help from this Association suggested that Mr. Hatch gained anything by his benevolence. If Your Honour will take as an illustration the most recent evidence of Jack Thiessen of Vauxhall, Alberta you will infer that in granting him credit beyond his limit and strictly not in accordance with the Association rules. Mr. Hatch was moved by sympathy, the kind which all of us who heard him would equally be affected.

It is true that Mr. Hatch gave no evidence to explain the mysteries in this Hearing, however in the face of ugly and devastating rumours, unjust references and suggestions in the press, frequently wishful thinking,

a warped conclusion seemed to follow, and Mr. Hatch had ample reason to suspect that if he came here he would be separated from his family.

Two errors of action may be said, on the strength of the evidence adduced throughout 3 weeks, to be at Mr. Hatch's door.

If he can be blamed for the faulty statements to the banks, which differed from those at the office of the Association, I do vehemently contend that such representations were certainly not made with intent to defraud. These office records were available to the auditor, to the Directors, to the members, and to the Bank officials.

I have the greatest respect for Mr. Williams who I call a friend of mine. He had been the Auditor of this Association when it was known as the Chinook Feeders and I say this with sorrow, that all the book manipulations made by Mr. Hatch could have been discovered without the slightest difficulty by this skilful accountant.

In fact, notwithstanding the pranks of my client, Mr. Williams emphatically declared yesterday twice or three times in answering Your Honour's questions that all was well as late as 1962, and the financial condition of Lethbridge Central Feeders Association Limited was secure at that time.

To say that the Royal Bank of Canada and Imperial Bank of Canada knew nothing about the

overdrawing of credit is obviously unreal. The Bells of Warning were constantly ringing in their ears, and the position of the Bank was evident.

However, I seek to be practical. If Hat has sinned he cannot extirpate his responsibility by shifting blame to other people.

I believe it is admitted that of the 170 members about 22 were weak, and I feel that until full collections have realized the exact loss will not be known. In granting this excess credit no personal gain was received by Hatch.

True he had personal dealings but many of them were known to the Directors.

I now come to the real cause of this mess. It was admitted by several witnesses of experience that if the market hadn't fallen the accounts would have been safe and the loss to the Bank might have been avoided.

When the public hysteria has evaporated, and insinuations vanish I believe Mr. Hatch may come back, if legal safeguards are offered to him, and narrate his explanations, and perhaps destroy the suspicions of certain people.

In conclusion I point out that one who gambles frequently gets hurt, and there is no greater gamble than the Cattle Game. For the life of me, and I say this with profound respect I have for your honour, that I fail to see

what the Electric account, the Plumbers account, etc, had to do with the \$844,689.19 deficiency or with the collapse of this association.

I am very sorry that this wonderful "Industry" in Southern Alberta was closed. I am egotistic enough to say that if an energetic and sensible group had been selected to save this Corporation, much heartache, serious economic loss and ugly publicity could have been avoided.

THE COURT:

Perhaps we can hear Mr. Thiessen at this point.

MR. JOHN THIESSEN:

Your Honour, much of what I was going to say has already been said, and I do not wish a repetition.

In reference to the vote of confidence that was given at the first meeting after the blow-up of the members, at the first members' meeting after the date of the blow-up, the members were again fooled by Mr. Hatch, who still at this point gave wrong information as to the true picture of the financial situation, thus gaining a vote of confidence from the members taken by surprise, and left in the dark.

I would like to say in my own words that shortly after this meeting the members minds were illuminated as to the true facts, and they were then, they then changed their minds about the situation, and not much

was done for some time until further action was taken.

In reference to the comment made here the other day I would like to correct a statement made here last Tuesday, and also today, in regard to the downfall of the Lethbridge Feeders Association as being caused principally by the fluctuation of cattle prices during the past several years. However, many feeders, and including myself, feel that this is only true in part, and that the main cause was in the extremely poor management of the Association by the former supervisor and the corrupt and dishonest tactics used in fleecing the members of their profits in the cattle feeding.

I would like to say that if we took the amounts that have been proven taken off of some of the animals that have been bought and sold, amounting to somewhere in the vicinity of \$5.00 per head, this would make up a deficiency in the matter of four or five years in a single turnover, never mind the sales of the same.

THE COURT: Thank you Mr. Thiessen.

You wish an adjournment, Mr. Leitch?

MR. LEITCH: Yes sir. There's one matter that I would like to discuss with Mr. Weir.

MR. MOSOCOVICH: Your Honour, before I leave, and in fact before I forget it, Mr. Weir produced that \$21,000.00 indebtedness of Mr. Hatch's. I simply wish to remind you what you know yourself, and that is that is settled.

THE COURT: Yes, it was settled.

MR. MOSCOVICH: Yes. Thank you very much.

(TEN MINUTE ADJOURNMENT)

MR. LEITCH: Thank you, Your Honour. Sir, this an inquiry to ascertain how and why a deficiency has occurred, and I will endeavor to keep my remarks in that vein. Firstly, sir, I note that throughout this inquiry I have been talking of a deficiency of \$844,000.00, approximately. Now, how did it occur? There were obviously some thefts, and relatively small. There has been a write down of the physical assets, and that is a significant figure. There has been losses on the operations in the last year or so. But the bulk of this \$844,000.00 lies in accounts described as deficient. On that point of deficiency, sir, I would like to make one comment. It appears to me, as I understand the position the deficiency we have been talking about is arrived at by taking the value of the cattle on hand for each of the members, and if that value is less than the amount that the member owes the difference is treated as a deficiency. Whether in fact there is the deficiency there or not, and how much, remains to be seen. For example, I do not believe we have had any evidence on how many members accounts which are described as deficient are collectible, and in some cases where the account is clearly uncollectible, that is the total amount. We have had very little evidence on how much is collectible. In a couple of cases, sir, there are farms being held as security, and things of that nature. For example, sir, on the list of deficient accounts

I notice in the first seven there is a total of about \$15,000.00. And that would appear these might all be collectible. The same is true, but to a lesser extent to, to the next eleven accounts. which total about \$85,000.00. It is the last twelve accounts which, of course, form the greatest problem because they involve the greatest amount of money. The point I wanted to be clear on, sir, is that today we do not know what the deficiency is. It might be significantly less than the \$844,000.00 which has been referred to throughout the Hearing. Now, what I have said about the members deficiency I believe equally applies to the accounts treated as deficient in the Non-Association Business ledger, and those, I believe total approximately \$63,000.00.

Now, moving on, sir, to how the loss occurred. That is relatively simple. And why it occurred, sir, I think is not much more difficult. The basic reason for the loss was dishonesty to a limited extent, and failure on the part of the supervisor to give credit only where it might be expected that the amount of credit given would be repaid. And that, of course, is the basic fundamental reason for the loss.

A second factor is, and I think one can fairly well describe it as complete, complete abandonment by the Board of Directors of the normal functions of a Board of Directors. And now, sir, what that has been said

by others and myself this morning, and I would like to put in a word or two about the Board of Directors. I think that they were all honest men, and able men, and who wanted to do a good job. If one goes through the minutes of this Association you will find that they attended these meetings regularly, and the real difficulty, I believe, lays in the lack of business administration experience. Not the lack of wanting to do what was right, or not the lack of spending the time required, but a lack of experience, lack of business administration experience. And another factor that effected the situation, is, I believe, the qualities of Mr. Hatch, his personality, which is perhaps to a limited extent been lost sight of here. He is a man who is charming, and he engendered great confidence in people, not only in his ability, but in his integrity, and over the years as he did an excellent job in the early years for the Association, this developed a great confidence in him, and he became the person who knew most about all aspects of the Association business, and gradually, and this is something the Board of Directors would not notice, and the members would not notice, happening as it happened, he gradually assumed absolute control over the business administration of the Association, and that enabled him to practise the deceptions we have discovered during the last few weeks was practised.

Perhaps sir, at this point I could point out to you that that is one of the fundamental weaknesses

in co-operatives in that they are organizations composed of people with rather limited business administration experience, and who tend to hire someone to do the business administration work for them, and it turns out that they do retain a capable supervisor-manager and then the affairs go very well. And if they do not it can lead to a disaster.

Now, Your Honour, I would like to come closer to the questions which have been raised in connection with the auditors. That question may be put this simple; should the auditors have discovered Mr. Hatch's deception earlier than they did? Well, sir, the discovery of the deception is merely a question of work. In any of these cases where there is embezzlement or this type of thing which has happened here, it is simply a question of work. If you do your work, if you do enough work and keep checking on the records you are going to turn up even the most minute deception. So that the real issue as far as they are concerned is how much work should have been done. And that raises the very practical problem of how much work would the membership pay them to do.

Now, Your Honour has raised the question of whether they should have taken an inventory check, and what I understood that Your Honour had in mind was that the auditors personally, or by retaining such experts as they may need checking the existence of the cattle which the ledger showed the members to have, and not only would they

need to check their existance, but they would need to --- I should say in checking their existance it is not enough just to count the cattle, they would also have to examine the brands to make sure that the cattle that they are counting are the ones that the Association have title to. And then it is not only sufficient to count them or check their brands, you must form some opinion as to their value, because the value of cattle vary more or less from animal to animal. It is true there is a range, but there is still a substantial variation.

Now, Mr. Williams, has given us a rough estimate, sir, of what that might have cost, and in addition to all the other work that they did, and that cost, as I recall the evidence, would be more than all the other auditing work. Let us say it was \$1,500.00 to \$2,000.00. In looking at that question of whether they should have done an inventory, two things should be borne in mind. Firstly, it is not the practice as far as we have been able to determine by contacting people who do audits on similar businesses. So first of all it is not a general auditor's practice to do that. And secondly, we come to the cost of it. Now, on that, sir, we have to be practical, and can anyone seriously suggest that the members of this association would have paid \$1,500.00 to \$2,000.00 a year to have the auditors count cattle. This is something that the members thought that their own people were doing, that is Mr. Hatch and the fieldmen, and this is the thing they are being paid to do, and they thought

that they were doing. Even at that point they might have felt this additional expense would be worthwhile, but they had a further safeguard. They knew that the bank was counting cattle, so that they had an independent person counting cattle. You see, sir, what the auditors would have had to do is say to the members--"We want you to spend an additional \$1,500.00 to \$2,000.00 a year to make sure that your men are doing the job that they were hired to do, and to make sure that the bank is not making a mistake, and to check on the honesty of Mr. Hatch, because this is the only reason for doing it."

Now, sir, there is nobody, I submit, in The Lethbridge Central Feeders Association who had the faintest, who had anything except the utmost confidence in Mr. Hatch's honesty at that time. Can you imagine what would have been said at a general members meeting if the auditors asked for this kind of authority to spend this money. It is just not practical to think that it would have been done, that the members would have authorized it. And in addition to that it is not a general auditors practice as far as we have been able to ascertain, and that included making inquiries in Alberta, Saskatchewan, British Columbia, and in several places in the United States in search of similar operations.

Now, sir, there also have been suggestions that if the auditors should have noticed little danger signs and one more work on those. For example, all these cheques that went to the garages and furniture stores

and so on. One has to keep in mind that the payment, that the issuing of cheques to people who would not normally receive cheques from a cattle association was a very, very common practice in the Lethbridge Central Feeders because many of the business firms, furniture stores, garages, and what have you, in Lethbridge, did for a number of years, and as I understand it, still do it to some extent, take in feeding grain and so on in exchange for their normal merchandise, and then later on sell the feed to farmers. So there was nothing inherently suspicious in seeing a cheque from Central Feeders going to the Empire Furniture Store, or to the Four Corner Body shop. In the one instance there it looked like a large number of those cheques going to, I believe, in the Jones account --

THE COURT: The Nelson account, I think.

THE COURT: That is Jones.

MR. LEITCH: There was some additional ones to the Empire Furniture in that account. And there the auditors did go to Mr. Jones and they asked him whether these were accounts that were properly charged to him, and Mr. Williams said at that time that the explanation that he got from Jones was that they were. Now, we have had different evidence from Mr. Jones, but isn't that what the auditor would do when he sees something like that? He goes to the man

charged with it and says--"Is this your account?" And he is told by the person who is, according to the records, paying for it, that it is. Now, what more would one expect him to do? Now, it is true if you go back to the Empire Furniture Store and look at documents there, and so on, that this deception being practised there by the supervisor would have been discovered. But surely a reasonable person stops when the man who says, particularly when this is an ordinary everyday occurrence in Lethbridge Central Feeders Association to have a cheque going to that type of firm, and when the man who is charged with it says --"Yes, that is my account. It is a proper charge." So, sir, I would say that it is unreasonable to expect them at that stage to do anything more.

And again, sir, yesterday the question of dealings with Mr. Kline were raised, and the auditors discovered the dealings between Mr. Kline, Mr. Hatch and Mr. Nilsson, in the early 50's, and wrote a letter about it to the President of the Association, and the suggestion was that now you have discovered that will enter into this kind of conflict of business arrangement, that you should watch him more closely, and for such transactions. Again, when the books disclosed a dealing with Mr. Kline that appeared it might be something similar, the auditors investigated it and they go to Mr. Kline and they receive the statement from him, and not only were they told by him it was a loan, but they went somewhat further and got a statement from him, which he signed

to the effect it was a loan. And now, again, sir, isn't that, would you expect a reasonable person with no reason to suspect dishonesty, or was not looking at this from hindsight, to think that he should do something more than that.

Now, Mr. Weir this morning raised the question of reconciliation of the cattle trading account, and that was why I needed the adjournment to make sure that he knew what meant with his reference to the reconciliation of the cattle trading account. You will remember this account, sir, There are still some monies in the cattle trading account. We do not know what happened to it or where it went, and someone has intimated during this hearing that it would take many months of checking to find out what did happen in that account. I think there was the sum of \$15,000.00 or \$16,000.00 in that account which we today do not know. Now, Mr. Williams has described these as washout accounts, that is sums in and sums out, and should be at the end of the year very close. There were a number of such accounts, and when all those accounts were balanced they came to a very---there was very little difference, a little credit, \$1,200.00 one year, \$800.00 another year, and this, sir, on the face of it, it would appear that all of the transactions in those accounts were in order. Now, it is true, that as I understand the position, that if they had gone through each entry on those accounts that they would have discovered the deception, or at least signs of deception which

we have learned about during this Inquiry. But again, sir, it is a question of work. It is a question of---I believe Mr. Williams in his evidence said that it would have taken a great deal of work to check each item in that cattle trading account. And again, sir, it is a question of being reasonable. If you take all these accounts that are in theory should be washout accounts, and if at the end of the year they appear to be washout accounts, with the exception of minor credits, then on the face of it there appears to be nothing wrong with those accounts. And how can you justify on that evidence that there appears to be nothing wrong with them. The additional expense and work which may run some months or weeks to in detail check all the items of these accounts.

Now, the difficulty with this is, sir, that as I have said, one who practises deception can be caught. It is merely a question of work, and generally it is very simple. The thing that catches them is a simple little thing, such as here comparing what my learned friend Mr. Moscovich has said, comparing the statements that the bank was receiving with the actual books. A simple little thing is always what catches the person that practises deception. But the difficulty is that there are millions of these simple little things that might catch him. You can't do them all. So you do a certain number of those simple little things. You have no reason to pick one simple little thing over the other simple little thing. And you do a

certain number of those simple little things, and if you are fortunate you do one of the simple little things that catches the deception. It is very easy with hindsight to say that if you had done some years ago this simple little thing you would have caught the deception. But that, of course, sir, just can't be the test. You can't look back on it and say if you had done this little simple thing they would have caught it. The question is was it reasonable to expect them to pick that simple little thing, and that simple little check, that that time out of all the multitude of simple little checks that they might have done. I submit sir there was no reason for them to make a particular check that which with Hindsight we can now say would have discovered that deception at an earlier date.

There has been during these past three weeks some reference to the books of the association being used for income tax evasion. I do want to say one thing about that because I am not sure it has been clear what might be and what is not income tax evasion. Sir, I will take a hypothetical situation. In my submission a member owes say at December 30th, \$100,000.00 to the Association, and comes in on December 30th and pays \$50,000.00 even on the understanding that he will get a loan of \$50,000.00 in the New Year is not in any way practising income tax evasion. That is something that is legitimate, he is entitled to do it. It is something that is done all the time. Paying off. if you are operating on a cash basis, paying off during the current year

I think that he has in fact paid it, and there is nothing wrong with that. But, as I say, I have not thought of that one quite as much as the situation I had been dealing with.

I believe, sir, that concludes the remarks I have to make.

MR. PROWSE: Your Honour, as you are aware the bank was not one of the petitioning parties for this Inquiry. However, I must say on behalf of the bank that we have been most grateful for the opportunity of being present throughout this inquiry. We trust that our local managers have given you all the assistance that you require. Like my Learned Friend, Mr. Moscovich, I wish to thank you for the courtesy which has been extended to all counsel, both by yourself and Mr. Weir, during this Inquiry.

Now, we have heard many things of what might have avoided this affair that the Association got into. However, the first and foremost I think that it needed an honest supervisor. I am not going to criticize people who have placed their trust in that individual and thereby give some comfort and support to those who will still seek to justify Stewart Hatch. It is my opinion that he has been exposed for what he is, a cheap thief, absolutely lacking in character, conscience, and honesty. You name his alleged friend and I will show you a man who is cheated. Mr. Hinman goes over his account, and we now find out that there is about \$8,000.00 that is not there. Mr. Kline, his partner,

Mr. Hatch gets \$2,500.00, his equal partner, with Nilsson, Mr. Kline gets \$500.00. No, he was a thief. And the curse of a man like Stewart Hatch and all similar to him is that they strike and they escape and leave honest, honourable men looking stupid. And I think that is exactly what he did to this organization. Our Board of Directors, when I think of the distress that they have gone through since this arose, and they look back over the minutes and they see how they have been deceived. I feel sorry for those gentlemen. They were honest honourable men and they were human beings and may have erred, but I will say no more about them.

Now, in the affairs of this association there is a money loss, and part of it is due to the market conditions. But due to the conflict of interest of this man Hatch in all his nefarious schemes and profit splits, I do not think you or I or anyone will ever find out just how much that cost this association. We have the Medicine Hat Holding Pens. There is some dispute in the evidence as to whether he is now a one-third partner, or whether he only had the right to become a one-third partner on paying one-third of the cost. But let us not fool ourselves, that cost of going into that partnership was going to be paid by this Association on the purchase of business that went through that Medicine Hat Holding Pen.

The payments to spotters. How can we decide whether these things were justified? There were

high operating expenses in the office. All of these things have caused this condition, but I still respectfully and sincerely submit that an honest supervisor would have been of the greatest benefit to this Association.

Now, we have heard how this Association and the members worked out the foot and mouth disease loss, and they have not agreed to work out this loss. And yet, I would just point out to those who make that submission that in the foot and mouth disease everyone was in the same position. Individuals were not going to have to pay off something that about 9 people had incurred. I have no doubt that those feeders who became involved in this huge loss were effected by Mr. Hatch. He had the power, and they knew that their credit should not be taken, but he somehow prevailed upon them to take the credit and take the credit.

Now, Your Honour, this is a public inquiry of a matter in the public interest. You have been given your duties as you have set out, and as Mr. Moscovich has said, to look into the affairs, management, and administration of this association. But I must draw to your attention, Your Honour, something that I feel very strongly about, and while it is not specifically written in you duties I feel that you must give it consideration. This matter, if it is in the Public interest, has drawn great public attention. Today we are concerned with our young people on what are they to believe, what is right, what is

wrong. To many people whether we intended it or not, and this may not be a Court proceedings, but unfortunately it is held in a Court House and in a Courtroom, and people for the first time are seeing what they think is the administration of Justice. People are brought in, they are put on oath. We get some proof. I am deeply concerned over the fact that there should be any evidence that you feel warrants criminal prosecution remaining dormant because people are watching, and they are waiting. They wonder whether justice is justice, or it can be mocked by a person taking what is not his on the attitude of "catch me if you can, I will pay you back." And people are watching that, and it is my submission that most certainly the Attorney General of this Province should take action on this Inquiry, and any offences which have occurred, they should be prosecuted, and no expense should be spared in seeing anyone who has committed perjury, or anyone who has committed theft, should be punished. That is all thank you.

THE COURT:

Thank you Mr. Prowse.

I wish to thank you very sincerely, gentlemen, for your very fine submissions this morning. I am sure that they will all assist me in endeavoring to reach a balanced judgment on the numerous items which have been placed before me in the three weeks of the Hearing. And, in fact, I wish to thank all who have had part in this Inquiry. We have always started on time. All the witnesses were present at the time when they were asked to be here. I wish

to thank the witnesses, especially many who must have found it most unpleasant to be asked to testify under these circumstances. I also express a word of thanks to the members of the Royal Canadian Mounted Police who travelled many miles in extremely cold weather to serve the subpoenas, and also to obtain some information which we asked them to obtain for us.

You have seen sitting before me each sitting the Court Reporters; to them and to their staff who are typing this evidence daily and working many extra hours overtime in reporting and transcribing this evidence, they have done a very good and diligent job, my thanks to them.

A special word of thanks to Mr. Woo who has acted as Clerk, and who has kept an accurate record of the numerous exhibits, and who has kept them in such shape that when we wanted one we could always find it. And that is no mean job considering the very great number of exhibits which were piled on the two tables.

I would like to add a special word, not only to all counsel, but to Mr. Weir, who has been assisting me in endeavoring to find the facts of this association since the latter part of October. We have spent many hours together, and I thank him especially for the assistance that he has given, and I feel that he has done a very excellent job, being asked to come down to Lethbridge,

a strange community, and away from his ordinary course of duties and take on this investigation. He has done a very excellent job.

Unless of course, I had received the assistance, the other assistance which I am going to mention, it would have been impossible to conduct this inquiry unless many other extra persons, including outside auditors and outside examiners, had been brought in to examine the records, and this would have resulted in a tremendous expense. Mr. Weir and myself spent many hours with Mr. Williams, the auditor, and with Mr. MacLean, the manager of the bank, in examining the records and in obtaining facts and explanations, and I thank Mr. Williams and Mr. MacLean.

We have received, as has been mentioned before this, valuable assistance from Mr. Clifford Peterson, and from his sister who have worked many days and many evenings in pulling all the vouchers and cheques and other documents from the general records of the company and in placing them in these boxes under the names and indexed under each feeder, and unless we had received this assistance, I doubt whether this inquiry would have even started by now, and after it had been started it would have taken many more weeks to complete.

In conclusion, I am going to thank the news media who have faithfully attended these proceedings and have given a full report to the public. The Order in Council directed that a public inquiry be held, and it

would not have served the purpose, it would not have served the purpose directed by the Lieutenant Governor in Council if the news media had not given these reports to the public. As this civilization becomes more complex, the public business becomes nobody's business. In fact we pay very little attention to it, and the only thing we have left actually to bring it to our attention is the news media which day in and day out bring these matters which require investigation, and which require thought, to our attention.

Of course, I thank the public who have attended. By their attendance they have shown an interest in a matter which is of the public concern, and which has been most unfortunate for this district. This district is known for its great cattle industry, and during the past few years it has become known for its great cattle feeding industry. It has been most unfortunate that this great association, this co-operative, has been forced to close down and to cease its operations. I am hoping that as a result of this investigation something may come out of it that may provide safer, further safeguards so that people, that the farmers of this area will feel free again with the assistance of credit organizations to once again engage in such an organization which has been of benefit to the community until this occurrence took place.

I will sometime in the near future make my report to the Attorney General, and it will then be

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